

Message Text

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53

ACTION NEA-10

INFO OCT-01 EA-06 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-04 FPC-01 H-01 INR-05

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OES-02 SP-02 SS-15 STR-01 TRSE-00 FRB-01 PA-01 PRS-01

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R 300956Z OCT 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 1344

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: BMEP, ENRG, EIND, EALR, BTIO: KU

SUBJECT: KUWAIT MOVING FORWARD ON PETROCHEMICALS

REF: A) KUWAIT 4132 B) KUWAIT 3239

1. GOK SEEMS TO BE MOVING FORWARD INCREASINGLY RAPIDLY ON PETRO-CHEMICALS FRONT. THERE SEEM TO BE THREE LARGE PROJECTS PRESENTLY UNDER SERIOUS DISCUSSION WITH THREE SEPARATE GROUPS. US FIRMS INVOLVED IN ALL THREE.

2. THE LARGEST PROJECT AND THE ONE FARTHEST ALONG, WE UNDERSTAND, IS ONE INVOLVING MITSUI, MCKEE/CTIP CONSTRUCTION (ITALIAN SUBSIDIARY OF US FIRM) AND A FRENCH FIRM. THIS PROJECT WILL INVOLVE

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MANUFACTURE OF PARAFFINS. A FEASIBILITY STUDY HAS BEEN PREPARED,

AND WE UNDERSTAND THAT AS OF NOW THE PROJECT HAS A GREEN LIGHT TO PROCEED.

3. THE SECOND PROJECT INVOLVES A \$150 MILLION VENTURE TO BUILD A PLANT TO MANUFACTURE BENZENE, PARA-XYLENE AND ORTHO-XYLENE FROM NAPHTHA FEEDSTOCK (SEE REF A). BY-PRODUCTS WOULD INCLUDE HIGH PARAFFIN GASOLINE, HEAVY AROMATICS AND OTHER FUELS. DISCUSSIONS CURRENTLY UNDERWAY HERE BETWEEN W.R. GRACE OFFICIALS AND MINISTER FINANCE AND OIL ATEEQI, AND WE UNDERSTAND THERE GOOD CHANCE GRACE WILL BE ASKED TO PREPARE FEASIBILITY STUDY AS FIRST STEP.

4. THIRD PROJECT, ABOUT WHICH WE HAVE FEW DETAILS, INVOLVES GULF OIL COMPANY WHICH IS ONE OF OWNERS OF KUWAIT OIL COMPANY. THIS PROJECT INVOLVES DEVELOPING ETHYLENE PLANT. (SEE REF B).

5. THUS GOK THROUGH MINISTRY FINANCE AND OIL WORKING QUITE ACTIVELY AND SIMULTANEOUSLY ON THREE MAJOR PETROCHEMICALS PROJECTS. NOT CLEAR WHAT FINANCING/CORPORATE ARRANGEMENTS BEING CONSIDERED, BUT GRACE DEAL, AT LEAST, WOULD ENTRAIL SIZEABLE US PRIVATE INVESTMENT AS GRACE, GOK AND GROUP PRIVATE KUWAITI INVESTORS WOULD EACH OWN ONE-THIRD OF CLOSED KUWAITI CORPORATION THAT WOULD OWN AND OPERATE PETROCHEMICAL PLANT.

6. COMMENT: FROM DISCUSSIONS WITH INDIVIDUALS INVOLVED IN THREE PROJECTS WE GET IMPRESSION THAT GOK HAS MADE BASIC DECISION TO EMPHASIZE PETROCHEMICALS ALONG WITH LPG, OIL REFINING AND OTHER PETROLEUM BASED INDUSTRY. AT SAME TIME OTHER HEAVY INDUSTRY SUCH AS ALUMINUM AND STEEL WHICH DEPENDENT ON IMPORTED RAW MATERIALS AND IMPORTED LABOR AS WELL MOST LIKELY WILL NOT BE APPROVED. FURTHER INFO ON PETROCHEMICALS PROJECTS WILL BE REPORTED AS IT BECOMES AVAILABLE.
STOLTZFUS

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